



## Keep Your Options Open - and other things that *really* matter

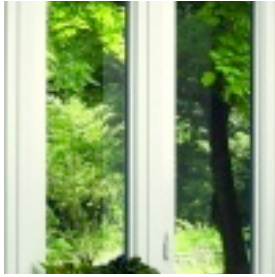
Recently there has been a flurry of activity on the IPWEA “Ask Your Mates” site about the right way to value land under roads. Some suggested using the value of adjacent land, others argued this would be double counting since the adjacent land only had that value because the road was there! Some suggested, since no accurate assessment could be made, that it shouldn’t be valued at all. But, said others, this would give the impression that the land was free. And so it went on.

Until, out of the chaos, arose a voice of wisdom! It said, in effect, ‘choose a simple method, *publish it* - and then get on with what is important because *you don t* use the valuations for anything, anyway!’

**Exactly! Let us put our limited time and energy to the things that *really* matter.** Here are my candidates for that role; none of them are simple, none have currently accepted solutions, and all of them are critical for strategic asset management decision making. *These are not the only issues worth thinking about but they make an excellent start.*

*Consider and enjoy!*  
*Penny Burns*

**Editor: Dr Penny Burns**  
**AMQ International**  
**PO Box 75 Salisbury South Australia 5108**  
**Telephone 61 (0) 8 8281 5795**  
**Email: [amqi@amqi.com](mailto:amqi@amqi.com)**  
**Website [www.amqi.com](http://www.amqi.com)**



## Editorial: Why THESE issues?

**These are my choices for starting issues. What would be yours?**

Years ago a large government organisation contemplated a significant reshaping of its services and its portfolio. The asset management branch thought that a condition audit would give it the information it required and let a contract for the task. I asked whether they had considered the functional fit of the existing assets with the new services and tasks required. They considered the matter, decided that this was important and let another contract. Both contracts went to the same contractor. The client had assumed, (but not required!) that the information from the two contracts would be capable of integration. It wasn't. A third contract was then let (to the same contractor) to integrate the two information sets. The resultant 'cobbling together' was not successful. I had always been critical of the contractor for not recognising the problems at an earlier stage and for not advising the client. But maybe I was too harsh. The problem is not one that can be resolved at the mechanical data collection level. In **"Integrating Functional Fit & Condition"** (pp 3-4) I consider why this is the case.

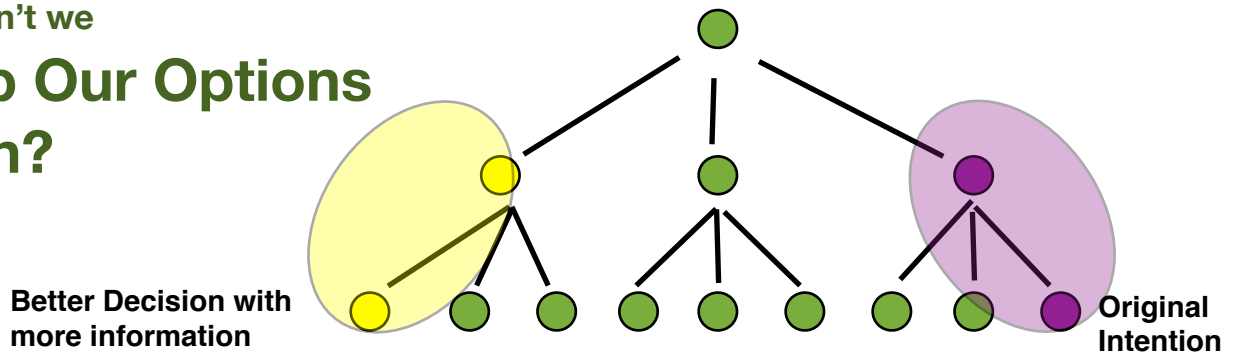
Infrastructure can almost be defined by the characteristics that make 'keeping your options open' so essential. It is very expensive; has wide ranging and long lasting impacts; *and is reversible, if at all, only at great expense*. But how do you keep your options open? See **"Keeping Your Options Open"** (pp 5-6)

Over the last three issues we have looked at the question of public consultation from a historical viewpoint, a planning viewpoint and a practical viewpoint. Here, I take a strategic viewpoint and question whether we are asking the right people - or the right questions! See **"The people you consult will not use your service"**. (p 7)

All of these issues interact, but the one that tops the list for interaction is "Population Futures". This is so important that I am working with a social demographer to deal with this issue in depth. See **"Population Futures and You"**. (p 8)

***If you, or an organisation that you know, have developed procedures for dealing with any of these issues, then you are at the "Leading Edge" and I would very much like to speak with you!***

## Why don't we Keep Our Options Open?



Even in a very simple two stage choice with only three options at each decision point, you can end up very far from your original intended position by taking advantage of extra information available at each decision point.

1. Largely, I suspect, **because we have not yet learned to value it - and thus we are not prepared to pay for it.** There is no doubt that if you choose your end point now you can let a contract that will be both **quicker** and **cheaper** to accomplish. Traditionally, these have been the key selling words for a project.

The fact that the choice may end up being far from what is needed has just been accepted as a fact of life. (*"We didn't see that technology change/ demand change/ population shift,/etc., coming"*) And since it is a fact of life we have argued that we cannot be held accountable for lack of prescience or foresight. And we got away with this argument. At least in government. It generally doesn't wash in business. There you are *expected to anticipate and have contingency plans.* *Keeping your options open is part of Risk Management*

If we are to achieve desirable end points for our community *quicker and cheaper* will need to make way for **'responsive and responsible'** !

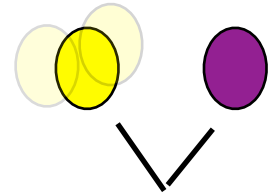
2. The second reason why we don't keep our options open, allowing us to feed in more information as it comes to hand is that **we have failed to develop appropriate organisational processes** for it. Our processes were developed in times when change was not as rapid as it is today - they need to catch up with today's realities. This will cost money and we have to be prepared to pay for it.

3. **The third reason is a human one.** Building in capacity for changing our minds as more and better information comes to hand means admitting that we don't know everything now. We have grown up with the idea of 'finished staff work' which means presenting the whole project from go to woe right now! We have, in fact, been actively discouraged from asking questions and putting up scenarios. If we are to survive in an uncertain future that needs to change. We will be looking at ways to do this. **ALL SUGGESTIONS/QUESTIONS WELCOMED!**

to be continued

## Keeping Your Options Open - An Illustration

*This is a blatant steal, but it s fun and illustrates the concept well.*



"I have often heard the phrase, "keep your options open", and didn't quite understand it until I ventured into finance. When I did understand the concept, I thought of it in terms of finance. Never thought it would apply to life, or more specifically to finding a life partner. What I absolutely didn't realize was that men use this on a daily basis. They have perfected the concept by living it. They always keep their options open.

So what is an option, you ask?

*Most often the term "option" refers to a type of [derivative](#) which gives the holder of the option the right but not the obligation to purchase (a "call option") or sell (a "put option") a specified amount of a [security](#) within a specified time span. Source: [wikipedia.org](http://wikipedia.org)*

**Here is how I think it works.** Each person of the opposite sex is an option. Now, they may or may not be the best available option. But, the key is to keep the options open. To never let them know that there are others!

When you are not in a relationship, they are a "[call](#)" option. Now, it means you have the option to call them, and talk to them to show interest. Just enough, not go overboard, because you don't want to give them enough on you for them to be able to confront you. Remember, you always want the option of saying, "you never thought of them that way." The word again! Exercise your option, when you are ready (some time limits do apply!). Or go for someone completely different - like choosing the "newspaper" or "shaadi.com" route. Now that is always an option.

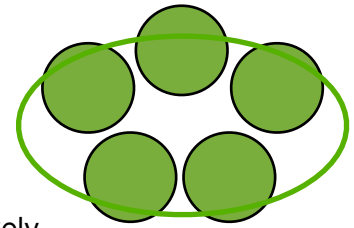
When you are in a relationship, they are the "[put](#)" option. You put up with them because you are interested in them enough to go exclusive. But you always have the option to walk away. That is why, the key is to go out, spend time, and even get into a live-in relationship. Yes, test drive is important, apparently. The key here is to skirt away from the whole marriage issue until you have exhausted all the available options.

Like I said, I had trouble with this concept in my Investing class. To me, either you bought the stock, or you didn't buy the stock. The whole concept of having the option of buying or selling the stock was somewhat hard to comprehend! (There are other finance concepts that fit here beautifully! Like [diversifying](#) and [hedging](#) your bets. Both are in the same genre as options.)

So, you think I have mastered it? Well, like most other things in my life, I have finally understood the concept / theory. I am still ways off from practising it, but now I don't invest completely because, I know I am probably just an option."

<http://no-creativity.blogspot.com/2006/05/keep-your-errelationship-options-open.html>

## INTEGRATING FUNCTIONAL FIT WITH CONDITION ASSESSMENT



**FUNCTIONAL FIT** is a bit like choosing the best cricket team to field. Even if you have six brilliant fast bowlers you would be unlikely to field all six - balance counts! (In certain ground conditions, you may not want any.) However, if you have only one and he is injured then you spend an inordinate amount of time helping his recovery. It is the same with asset portfolios: the value of any one piece depends on what else is available and what the need is! This is what makes it impossible to assess functional fit simply by looking at the one player, or asset.

A housing portfolio may have many three bedroom houses but need only a few, or it may have many in one locality whilst the need is in another. It matters not if the quality of those in the surplus area are of excellent quality - they are still surplus!

I have seen so called 'functional assessments' carried out in the field on an asset by asset basis - they focus on compliance with standards (OH&S or technical standards). However this is *not* function, it is just one aspect of condition.

The key parameters of functional fit are: need and location. In this sense functional fit is ideally suited to desk top analysis. But it requires strategic analysis so does not lend itself to contracting out.

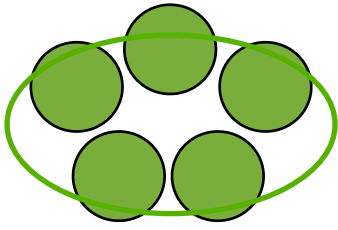


**CONDITION ASSESSMENT** is different. It is a feature of the individual asset and not of its relationship to other assets. Condition assessment is not a desktop exercise. The only way to really know the condition of an asset is to look and test. But there are ways of predicting condition within a range that are based on time or usage, or both: pavement management systems, for example.

**When a decision has to be made - keep/dispose; upgrade/replace; modify, etc.** the decision should ideally be made on a combination of both condition assessment information and functional fit. If we have 4 schools in an area where only 3 are needed, one of the elements to be considered (but only one) is the condition of the school. If an asset is in poor condition and fails to meet statutory requirements, it should only be upgraded if its services are still in demand and there is not a cheaper alternative, eg through more extensive use of another asset. It follows that infrastructure management decisions cannot be based on condition assessment alone - although because condition assessment lends itself to automation and therefore requires less thought and analysis than functional fit, this unfortunately often happens.

**The question that I believe we should be putting our professional minds to is the best way to integrate Conditional Assessment and Functional Fit.**

Any Suggestions?



## Integration of Function and Condition, Some early experiences

If you are doing better than this - or if you are doing as well on non building assets - then you are at the Leading Edge and I would very much like to hear from you!

**Back in 1994**, the Office of Building in Victoria, as it was then, innovated a 4-step process that integrated one element of function (demand) with the supply sided condition elements.

What they did was to

1. Determine desired condition (= asset category)
2. Rate the actual condition
3. Compare actual condition with desired condition to determine the building condition index
4. Calculate the asset portfolio condition index

To determine the desired condition, agencies examined the elements of the asset and the quality of those elements which were important for their business. Thus high quality security systems are essential for prisons, military research establishments and strategic communication systems but not for schools, hospitals or government offices.

Building elements were categorised by fabric, services or site and then by sub-categories. Asset qualities considered included *physical qualities* such as reliability, flexibility and design appropriateness and *utilisation* qualities such as suitability for use, eg location, size.

A 3 question 'sieve' was used to determine the required asset category from a 'high need' for capability, finish, use and expectations (prestige law court buildings) to a high need for special qualities but standard need for others, to moderate and low needs.

This method of integration was ahead of its time. Today it would be necessary to be able to incorporate surpluses or shortages of capacity.

A new system currently in use by the Victorian Treasury, the AIAM (Asset Investment Allocation Model) allows Victoria to assess condition needs by age, obsolescence and type of building and functional needs by location and capacity.

**In 2001** we reported on a leading edge system out of Canada - the ST&M tools that enabled ranking of building qualities by need rather than by 'high or low' or 'better or worse'.

This tool is particularly good at dealing with the needs of large office buildings and buildings with special needs, such as hospitals or military establishments (where it has been used to great effect.)

It consists of over 100 matched sets of scales, one part of the pair defines the need and is expressed in user terminology and the other defines the requirements in supplier terminology. The system identifies where there are shortfalls and where there are excesses.

For agencies trying to decide between a number of buildings to suit their needs, this is a very useful tool.

Clearly no director will sift through the pluses and minuses on 100+ sets of scales, but he doesn't have to because the software is capable of identifying the significant areas for consideration.

This tool has been continuously improved since I wrote about it and you can find more detail at <http://www.icf-cebe.com/tools/tools.html>



## THE PEOPLE YOU CONSULT WILL NOT USE YOUR SERVICES

In the last 3 In the last 3 issues Debra Hall took an historical, planning and practical look at community consultation and she raised interesting questions about WHY we consulted and WHETHER our current emphasis on consultation was not, of itself, raising community expectations.

**So while you are pondering *who to ask*, and *what to ask them*, consider this - the people that you consult will not use your services!** They may go by the same names but in five years time (and most large projects have at least a five year gestation period) they are likely to be quite different in their tastes and their needs, in fact quite different people from the perspective of service and asset use. By the time your asset is only 5 years old, ten years will have passed, and this gap between what people said they wanted and what they now do want, will have increased.

### Consider - In ten years,

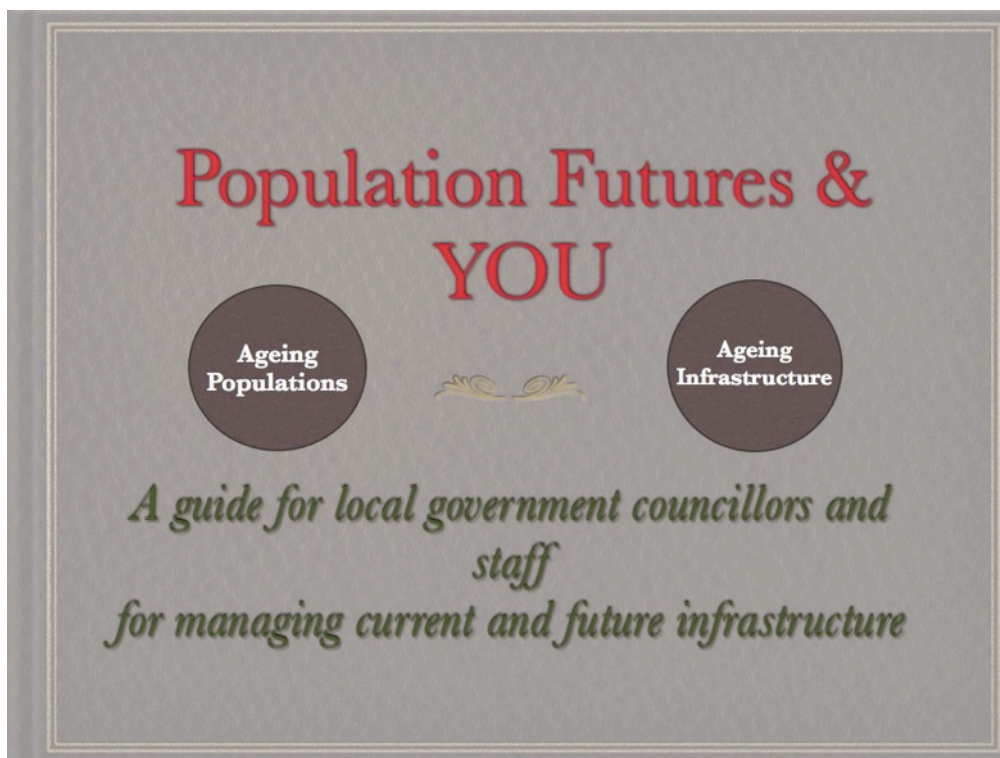
- The carefree teenager into heavy metal has become a responsible family man with wife and children and a mortgage
- The young family man now has teenagers of his own and heavier work responsibilities
- The mother of teenagers is now an 'empty nester', and probably *not* the grandmother she planned
- The senior businessman has retired and travels Australia in a campervan.
- The fit pensioner has become frail and unable to get out much any more

Nor can it be assumed that the desires expressed by the teenager, the family man, the mother, the businessman or the pensioner will apply to the next group moving into that age slot. Do your children see the world the way you used to?

If you were to have surveyed your residents about water supply even as recently as five years ago would you have got the answers you are getting now? (Or, if the drought now breaks and we have much rainfall in the next five years will we still get the same levels of concern then?)

◆ **What does this mean for community consultation?**

◆ **What does it mean for understanding what we need to do to best ensure our communities are well served by the infrastructure decisions we make?**



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Professor Natalie Jackson, Social Demographer, University of Tasmania, has specialised in the impacts of population change for local governments. Whenever she speaks to local government councillors and staff, which is often, she is besieged by questions about what it all means and how they are to manage in a future where population change is going to be very different from the past.

These questions are the basis of the E-Serial "Population Futures and You" which Natalie and I are preparing on the [www.acorninc.org](http://www.acorninc.org) site. This site is designed for Infrastructure decision makers and those who advise and support them.

**And add your questions to our list.** All questions will be personally acknowledged and you will have the satisfaction of seeing your questions guiding the development of our E-Serial.

Our first question has already been received! Why not be the next?